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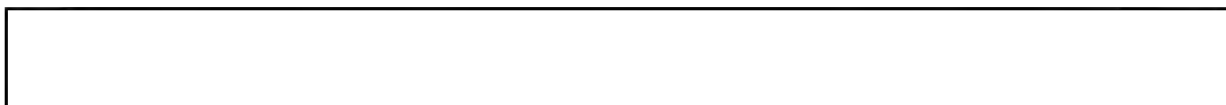
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CAMBODIA: The Communists may have more ethnic Cambodian cadres on whom to draw in support of the Khmer Communist movement than has been previously estimated.

A recent debriefing of a Viet Cong rallier indicates that a steady stream of Cambodians was sent to Hanoi for training during the 1960s. The rallier,

25X1 [redacted] said that several small groups of Vietnamese-speaking Cambodians journeyed from Cambodia to North Vietnam between early 1962 and September 1970, [redacted] 25X1 At the outset, many of these exfiltrators were ethnic Cambodians who lived in South Vietnam. As the years passed, however, the Communists began to recruit directly from within Cambodia.

As the ethnic Cambodians were moving north, others were returning to Cambodia and South Vietnam from North Vietnam. The rallier claims that between January 1968 and late April 1970 about 11 or 12 Cambodians were infiltrating per day. If this is true, it means that as many as 9,000 trained KC cadres arrived in the country during that period alone.

The rallier's superiors apparently told him that most of the cadres who returned to Cambodia between 1962 and 1967 had gone to North Vietnam in 1954. In talking with several returnees the rallier learned that their training lasted anywhere from six months to three years. A selected few were sent to the Soviet Union and Communist China for advanced military and academic training.

The rallier believed that many of the returnees were slated to serve as low-to-medium-level cadres, but the rallier did not specify whether they were used principally in Cambodia or South Vietnam. The Communists presumably had a need for Cambodian speakers both in Cambodia, where they could serve

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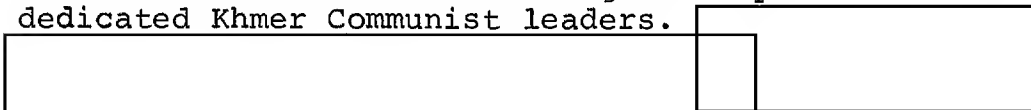
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in liaison capacities for the North Vietnamese Army and Viet Cong units that were increasingly using Cambodia as a base area, and in South Vietnam, where they could be targeted against the large ethnic Cambodian community in the delta. Some of the cadres may also have been involved in the effort before Sihanouk's ouster to develop an indigenous Communist movement. Whatever the case, the uneven performance of the Khmer Communists over the past year and their dependence on Viet Cong cadres indicates that there is still a considerable shortage of experienced and dedicated Khmer Communist leaders.



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EAST GERMANY: Soviet and East German leaders adopted a positive tone toward the Berlin negotiations, but offered no change in substance in speeches at the East German party congress.

Soviet party leader Brezhnev's remarks to the congress were clearly aimed at casting the Soviet approach to the Berlin negotiations in the most favorable possible light. He said that the USSR wanted an agreement that would ensure "normal conditions" of life for the people of West Berlin and remove it as a source of tension in Europe. He added, however, that he did not know whether he could speak for "our partners in the talks"--presumably in reference to the US, upon whom the Soviets have attempted to place the responsibility for the lack of progress.

Brezhnev's comment that the talks are "now transferring" to the stage of concrete proposals marks the first time that the Soviets have acknowledged that the negotiations have gone beyond the exploratory stage. However, Brezhnev went out of his way to emphasize that Moscow and Pankow approached the talks in complete unity, and to suggest that there would be no concessions at East German expense. Notably, his endorsement of a Berlin agreement was tied to the qualification that due consideration must be taken of the "lawful interests and sovereign rights" of the GDR. This was probably meant in part to end speculation of differences between Moscow and Pankow regarding Berlin.

East German party boss Erich Honecker stressed that Soviet - East German views are characterized by "complete unanimity" on all questions. He revealed no objections to the course of the four-power Berlin negotiations in his keynote address to the congress on Tuesday. Rather, he went out of his way to indicate that East Germany would cooperate. Honecker said the GDR was prepared to contribute to the "normalization of relations vis-a-vis West

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Berlin" in an effort to realize detente in Europe. In this regard, the SED leader extended good wishes for success in the four-power negotiations.

In discussing East German talks with the West Berlin Senat, Honecker departed from past practice to assert that "West Berlin is a city with a special political status," and that it never did and never will belong to the Federal Republic. This is a less offensive version of Pankow's standard formulation that West Berlin is a separate political entity situated on the territory of the GDR. On the question of the relationship between East and West Germany, in which the Bahr-Kohl talks constitute the immediate point of contact, Honecker said that relations between the two are "only possible on the basis of the rules of international law" rather than on the West German basis of an "inner-German relationship."

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FRANCE: Looking toward the 1973 legislative elections, the newly united Socialist Party is promoting unity of action with the Communists even more vigorously than in the past.

Francois Mitterrand, who defeated long-time Socialist leaders Guy Mollet and Alain Savary at the recent party congress to emerge as de facto party head, succeeded in pushing through a charter that calls for talks with the Communists leading toward a "government program." Such a program, which will be determined by an extraordinary party national council in March 1972, would be aimed at defining policies the two parties would follow if they came to power.

In decisively rejecting the "third force" strategy--playing the middle ground between the Communists and the Gaullists--the party has strengthened its leftward orientation. Its refusal to enter into any deals with the center probably reflects its realization that the center not only is too weak to be an effective partner but also is too committed at this juncture to the policy of cooperating with the government.

The French Communist Party (PCF) thus far has reacted negatively to the new charter. In an attempt to prod the Socialists even further leftward, PCF head Georges Marchais implied the party was much too cautious in moving toward leftist unity.

Although the congress was a triumph for Mitterrand, who faded from the French political scene following the demise of the Federation of Democratic and Socialist Left in 1968, he will have his hands full trying to meld the party's disparate elements into a grouping strong enough to meet the PCF as an equal partner. The Socialist Party, which now has 90,000 adherents, is an amalgam of the traditional Socialist Party, the Convention of Republican Institutions, two small Christian socialist groups,

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and numerous unaffiliated socialists. The first phase of Mitterrand's strategy is to form a union of the Communist and non-Communist left capable of displacing the Gaullist majority. Ultimately, he hopes this coalition will put him into the presidency in 1976.

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MALTA: The Malta Labor Party's (MLP) narrow victory in the parliamentary elections suggests that the new government will have to take a cautious approach, particularly on East-West relations.

The latest returns from the elections on 12-14 June indicate that the MLP has a one-seat victory, although there is a possibility that the defeated Nationalists will contest the outcome. The small margin could create an unstable political situation for the new prime minister, Dom Mintoff, but factors working in his favor include tight party discipline and the fact that the MLP is tasting power for the first time in 13 years. The narrowness of the victory may also be useful to party moderates, who can argue that it precludes any dramatic and immediate deviation from past policies.

Malta's foreign policy under Mintoff is likely to veer toward neutralism and an effort to play off East against West for the country's economic benefit. Prior to the campaign, Mintoff suggested that the small NATO presence on Malta was not in keeping with his concept of "positive neutrality." Labor's election program avoided any reference to NATO, however, and Mintoff's recent public statements indicate that his government probably would accept a continued NATO presence if his demands for "adequate" compensation are met. He probably will seek to revise the status of the defense and financial assistance agreement with the UK in an effort to reduce British control over key elements of Maltese foreign policy and to secure development aid beyond 1974, when the present arrangement expires.

The Maltese look upon the Arab nations of the Mediterranean as a potential market and the MLP has indicated that it would promote better relations with them. During the campaign, the party expressed its willingness to enter into an economic agreement with Libya, and Mintoff may use this possibility to put pressure on the US and other Western nations to increase their aid and investments. He may also see Malta as a potential "honest broker" in such matters as the Arab-Israeli dispute.

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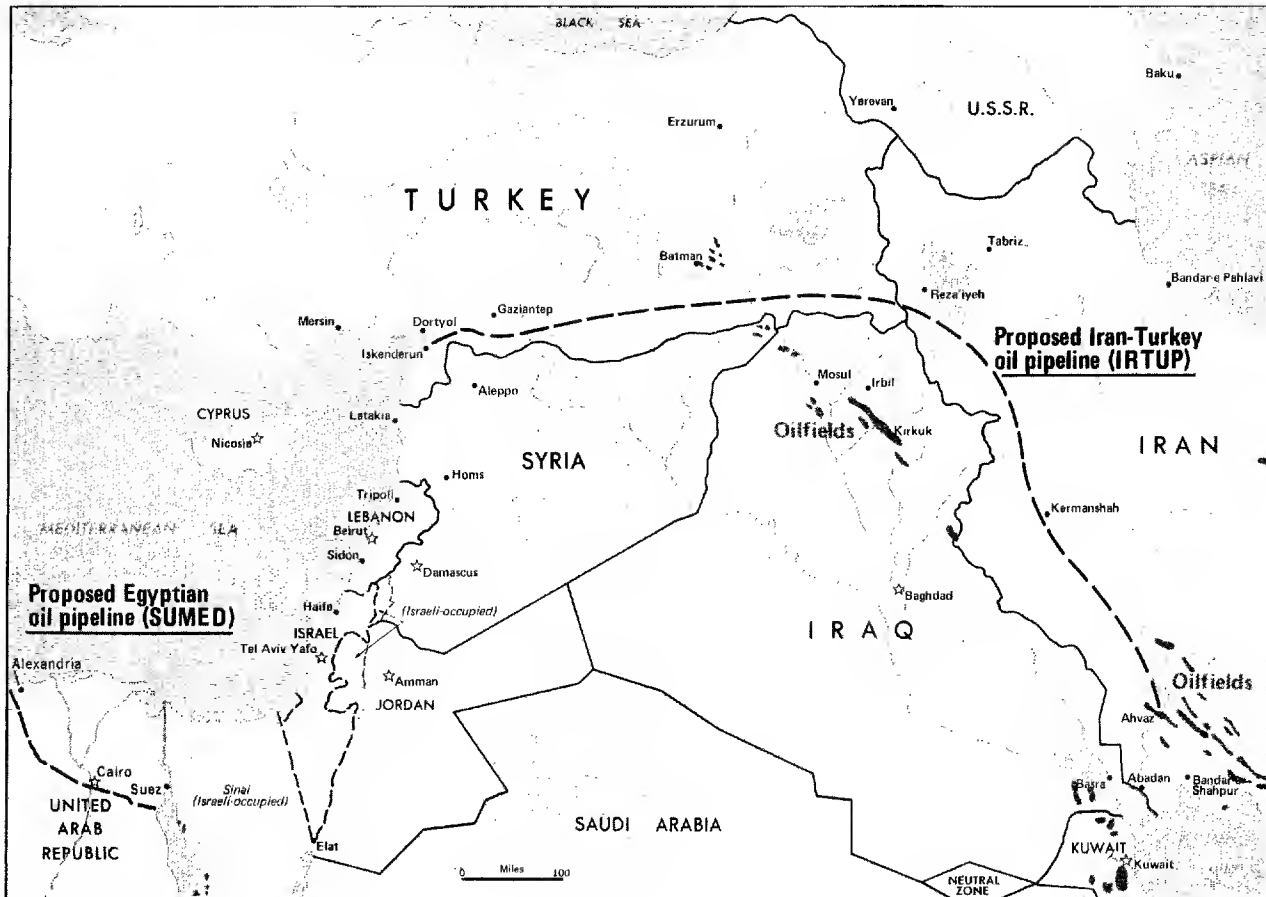
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Iran's Interest Shifting From IRTUP To SUMED Pipeline



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IRAN: Tehran's interest in promoting a proposed Iran-Turkey oil pipeline (IRTUP) has dampened considerably, and the Iranians may participate instead in the second stage of the Egyptian SUMED pipeline.

Spiraling construction expenses for the 1,100-mile Turkish pipeline have pushed its estimated cost from \$500-700 million to some \$1 billion. As a result, backers of the project would have to increase their contributions. Tehran is also concerned over political difficulties and uncertainties in Turkey, where the line would terminate. Meanwhile, potential users are balking both at the prospect of higher fees because of rising costs and at Tehran's demand that tax rates on oil be based on the Mediterranean prices rather than on the lower ones at the Gulf.

While failure of the IRTUP project to materialize could cost Iran some political embarrassment with Turkey, it is the Turks who stand to lose economically. Ankara not only was looking to the pipeline to provide part of its increased petroleum needs but it also stood to gain from transit fees and port charges resulting from an increase in oil traffic at the Mediterranean port of Iskenderun.

Iranian interest in the Egyptian pipeline is an outgrowth of improved relations between Cairo and Tehran. The subject of the pipeline reportedly was broached when Egyptian Foreign Minister Riyad visited Tehran early this year and followed up in discussions with Iranian oil officials in Cairo in mid-May. The Iranians now reportedly have asked consortium members to shift their commitments to use the IRTUP project to the second stage of the SUMED line. Construction of the first stage, to be financed by government-backed loans from various West European users and direct loans from Kuwait and Saudi Arabia, could get under way before the end of this year. Iranian participation in the second stage would help balance off Tehran's current deal with Israel involving the use of the Israeli pipeline.

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BOLIVIA: Converging forces are threatening to upset the precarious political balance which has enabled Juan Jose Torres to maintain his tenuous hold on the presidency.

Military and civilian opposition groups fear that Torres will continue to bid for support from the labor- and student-dominated extreme leftist "popular forces" when their "popular assembly" reconvenes on 22 June. A pre-emptive nationalization or expulsion, with the US Military Assistance Advisory Group (MAAG) the most likely candidate for elimination, could occur this weekend if Torres holds true to previous form. Anti-Torres elements within the armed forces [REDACTED]

[REDACTED] may decide to take action around 22 June even if plans for a coordinated opposition move have not been completed.

The small pro-Soviet Bolivian Communist Party has reportedly instructed its members to arm themselves in order to assist Torres in defending himself in the event of a "rightist" coup.

The "popular assembly" session, however, could develop into a showdown between Torres and the extreme left. The assembly's agenda includes issues which could lead it into conflict with the President. While "popular forces" leader Juan Lechin has adamantly maintained that the assembly will carry out its decisions, Torres has declared that this body has no power relationship with the government. A new constitution, scheduled to be promulgated by Torres on 22 June, is almost certain to include provisions that will make the assembly superfluous.

The Torres government is internally divided. Some officials now appear to be pressing for moderation of Bolivian policy and an attempt to improve relations with the US. The binational center in

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25X1 Cochabamba, which had been closed since it was taken over by university students on 30 April, was unconditionally returned to its board of directors on 14 June. [] high-ranking military officers are reported to have strongly urged the President not to expel the MAAG. A coup attempt by extreme leftist elements within the government could result if Torres shifts the thrust of his policies and tries to secure support from more moderate political groups and the military.

Torres' failure to acquire a base of support has made him vulnerable to attack from many sectors no matter how he handles the current situation. The contending forces could continue to cancel each other out, but Torres' position appears to be weakening. []

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CHILE: The Congress may now become the focus of Chilean political activity.

The opposition parties, spurred by the murder of former cabinet minister Perez Zujovic last week, united on 15 June to oust the government coalition leadership of the Chamber of Deputies by a vote of 78 to 44. Having at last exercised their majority in the chamber, the Christian Democratic, National, and Democratic Radical parties now are trying to overcome their persistent differences to agree on a new leadership.

This congressional move may strengthen opposition efforts to work together. It follows the defeat of the UP's candidate in the politically important election for the rector of the University of Chile on 10 June and attacks by congressional investigators on the administration's handling of the copper mines. The expected return of former president Frei on 18 June will provide opportunities for opposition forces to press their case.

In the face of more active opposition, UP legislators are considering plans to frustrate completely any meaningful congressional action during the current regular legislative session. Communist Party leaders reportedly have discussed these plans. The UP hopes to prevent passage of legislation that would interfere with the Allende administration's plans and programs, especially economic ones. [REDACTED]

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[REDACTED] another aim of an obstructionist UP policy would be to lower the prestige of the Congress and provide Allende with a psychological advantage if he decides to call a national plebiscite designed to lead to new congressional elections.

Meanwhile, political tension will certainly be heightened by an attack yesterday on the plain-clothes police headquarters in which several were killed. In a speech, Allende said the attack was made by remnants of the same group responsible for Perez' assassination. [REDACTED]

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PAKISTAN: The current wheat crop in West Pakistan is reported to be the worst since the previous drought years of 1966-67. More than two million tons may have to be imported in the next year, an amount that approximates the anticipated import needs of East Pakistan. According to a Pakistani official, production of wheat--by far the most important food crop in West Pakistan--may amount to no more than 5.5 million tons. Crops of up to seven million tons had been achieved since the "green revolution" of 1968 and West Pakistan in recent years had even been able to send wheat to East Pakistan.

* * * *

INDIA-PAKISTAN: The two countries appear to be making some progress in working out the procedures for repatriating their diplomats in Calcutta and Dacca. The main hurdle has been the method by which the Pakistanis would determine which East Bengali diplomats were genuine defectors to Bangla Desh and which were coerced. Both governments have now agreed to a procedure under which the Bengalis would be interviewed indirectly through a Swiss diplomat rather than directly by a Pakistani. Nevertheless, all technicalities have not yet been resolved, and a solution still could be further delayed.

* * * *

COMMUNIST CHINA - CEYLON: Peking has agreed to supply Colombo with [] small patrol boats beginning in July. China's first military assistance to Ceylon probably was agreed to last month at the same time China extended a \$25-million hard currency credit. As with the credit, Peking's latest aid probably is intended to allay suspicions of Chinese involvement with the insurgents, and to offset recent Soviet and Western assistance. The Ceylonese probably will use the patrol craft against illegal immigration and arms smuggling in the northern part of the island.

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PERU - COMMUNIST CHINA: The Peruvian trade mission has obtained Chinese agreement on a major commercial transaction. China will buy 150-200 thousand tons of Peruvian fishmeal as well as other fish products and 40 thousand tons of copper before the end of 1972. Permanent offices will be established in Lima and Peking to facilitate this increased trade. While in Peking the Peruvian trade mission received lavish treatment and high-level attention, including a meeting with Premier Chou En-lai. Despite such broad hints to the Peruvians as Chou's statement that he hoped that Sino-Peruvian relations would "grow with each passing day," there is as yet no evidence of substantial progress toward the establishment of diplomatic relations.

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CUBA-CHILE: Cubana, Cuba's national airline, intends to begin regular biweekly flights between Havana and Santiago on 26 June with a maintenance stop in Lima. A commercial air agreement was signed last February which provided for Cubana flights to Chile as well as flights by the Chilean Government airline to Cuba. The Chilean flights have not yet started but Cubana has been making special flights to Chile on an irregular basis.

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AUSTRALIA: Increased capital inflows have pushed the country's foreign exchange reserves up by one third to an unprecedented \$2.2 billion at the end of April. Much of the increase apparently comes from heavy US direct investment in Australia's booming mining industry and a rise in short-term borrowing in the US stemming from Canberra's tight monetary policies. The increased money supply created by large capital inflows, however, tends to undermine Canberra's anti-inflationary policies.

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